

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 3488 – HB 3744

February 22, 2010

SUMMARY OF BILL: Increases the annual Hall Income Tax (HIT) standard income exemption level for taxpayers 65 years of age or older by \$10,000 each year for single filers and joint filers.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$421,900/FY10-11
\$1,296,900/FY11-12**

**Decrease Local Revenue – \$253,100/FY10-11
\$778,100/FY11-12**

Other Fiscal Impact – Increasing the income exemption thresholds by \$10,000 per year in perpetuity will cause additional decreases to state and local government revenue in FY12-13 and subsequent years. Eventually, the Hall income tax for individuals age 65 and older would be eliminated. At this point, the total reduction of Hall income tax revenue would be approximately \$48,250,000, with the state share accounting for approximately \$30,156,300, and the local share accounting for approximately \$18,093,700.

Assumptions:

- Current state law levies the HIT on income derived from stock dividends and bond interest.
- Each person, partnership, association, trust, and corporation within the state who receives, accrues, or is otherwise credited during any year income from the above sources shall pay a six percent tax on such income.
- According to the Department of Revenue, increasing the income exemption thresholds by \$10,000 will reduce HIT revenue by approximately \$675,000 in FY10-11. Increasing the thresholds by another \$10,000 in the subsequent year will reduce HIT collections by approximately \$2,075,000.
- Pursuant to Tenn. Code Ann. § 67-2-119(a), five-eighths (62.5 percent) of all HIT revenue is deposited to the General Fund; three-eighths (37.5 percent) is allocated to cities and counties.

- The decrease to state revenue is estimated to be \$421,900 and \$1,296,900 in FY10-11 and FY11-12 respectively.
- The decrease to local government revenue is estimated to be \$253,100 and \$778,100 in FY10-11 and FY11-12 respectively.
- Increasing the income exemption levels by \$10,000 per year in perpetuity will eventually eliminate HIT for individuals 65 years of age and older. According to DOR, this would be approximately \$48,250,000 of HIT revenue.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc